# INFORMATION LETTER

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## NATIONAL CANNERS ASSOCIATION For Members Only

No. 764

Washington, D. C.

October 21, 1939

#### ADMINISTRATOR ANDREWS RESIGNS

## Lieut. Col. Philip Fleming to Supervise Operations of Wage and Hour Division

Elmer F. Andrews, for almost a year administrator of the wage and hour provisions of the Fair Labor Standards Act, resigned this week, effective October 16. On October 18. Secretary of Labor Frances Perkins detailed Harold D. Jacobs, an assistant administrator of the Wage and Hour Division in charge of information, to "perform the duties of the office of deputy administrator of the Wage and Hour Division until further notice."

This, in effect, makes Mr. Jacobs acting administrator of the Division. He will work under the supervision of Lieut. Col. Philip Fleming, Army district engineer from St. Paul, who has been detailed to Secretary Perkins as a special Labor Department advisor in connection with the administration and coordination of the Wage-Hour and Public Contracts Divisions of the Labor Department.

The coordination of the work of these two divisions of the Department of Labor will comprise only the investigating staffs, and will be designed to lessen duplication of work by field men and to save expense in investigations.

Colonel Fleming served as district engineer in charge of power development of the abandoned Passamaquoddy tideharnessing project in Maine, and later as coordinator of the Resettlement Administration. He is expected to take over his new duties within a few days.

Among other personnel developments was the resignation of Paul Sifton, deputy wage-hour administrator, who had served under Mr. Andrews when he was industrial commissioner of New York State.

## URUGUAY TRADE PACT PLANNED

## Only Canned Item on List of Uruguayan Products Considered for Concessions is Meat

The only canned food item included in the list of products imported from Uruguay on which the United States has announced its intention to consider granting tariff concessions under forthcoming negotiations of a trade agreement with that country, is canned beef and veal. Formal notice of intention to negotiate the trade pact was announced October 20 by Secretary of State Hull.

Other food products in the list of items considered for concessions are: extract of meat, including fluid; beef and veal, pickled or cured, not packed in airtight containers, not specifically provided for: and sausage casings, weasands, intestines, bladders, tendons, and integuments, all the foregoing not of sheep, lambs, or goats, and not specially provided for. Other items on the list include wools, vegetable oils, tallow, and hides and skins of cattle.

Briefs containing information and views in writing on the proposal to grant tariff concessions on the products listed must be filed by November 18 with the Committee for Reciprocity Information, Eighth and E Streets, N. W., Washington, D. C. No list of products on which Uruguay will consider granting reductions in tariff is furnished, but exporters interested in having United States products considered by Uruguay for tariff reductions and concessions should submit briefs on this subject with the Committee by November 18. Six copies of these statements should be submitted, of which one copy must be sworn to.

Those persons desiring to be heard at the public hearings opening December 5, must file applications for a hearing by November 18.

## STATEMENT ON OVERTIME EVASION

## Wage-Hour Counsel Issues Opinion on Manipulation of Rates of Pay under Act

With the reduction of the maximum workweek to 42 hours under the Fair Labor Standards Act, and the increase of the minimum wage rate to 30 cents an hour, effective October 24, General Counsel George A. McNulty of the Wage and Hour Division has issued an opinion relative to the manipulation of rates of pay to avoid the effect of the overtime requirements of the Act. The opinion states:

"On October 24 the Fair Labor Standards Act will require that every employee subject to its provisions receive time and a half overtime compensation for all hours worked in excess of 42 hours in any workweek. Anticipating the 42-hour week, many employers have written to the Division setting forth a variety of methods by means of which they hope to work their employees the same number of hours presently worked (in excess of 42) without paying them any more than they are now paid. This opinion deals with the legality of these various plans to avoid the effect of the 42-hour week. The opinion is equally applicable, however, to any plans now being used to avoid the effect of the 44-hour week.

"Section 7 of the Act requires that overtime must be paid at the rate of time and one-half the 'regular rate' of pay at which the employee is employed. Time and a half must, therefore, be paid upon the rate at which the employee is actually employed and paid and not upon a fictitous rate which the employer adopts solely for bookkeeping purposes. An examination of the methods suggested by employers as a means of continuing to work overtime hours without any increased wage bill will demonstrate the illegality of adopting a bookkeeping rate for purposes of the Wage and Hour Law and a different rate for any other purpose. Resort to these methods will constitute a violation of Section 7 and will subject the employer to the penalties prescribed in the Act.

## I. SALARIED EMPLOYEES

"It is clear that an employer will violate the Act if he simply pays no attention to its requirements next October 24 but continues to work his employees the same number of hours (in excess of 42) they now work for the same salary they now receive. In our opinion an employer who will continue to work his employees in excess of 42 hours after October 24 for the same salary they now receive but who takes the trouble to manipulate the rates of pay in order to adopt a rate upon which he may calculate the time and a half, without incurring any additional labor cost, stands in no better position than the employer who simply and frankly disregards the overtime requirements of the Act.

"Employers have proposed two principal methods of avoiding overtime payment to salaried employees. The employer, by one plan, will announce that henceforth the employee is either employed at the rate of 30 cents an hour or at an hourly rate in excess of the minimum. But each week the employer will pay the employee a 'honus' to make up the fixed salary. Obviously, the employee will not actually be paid at the rate adopted by the employer for overtime calculation. His regular rate of pay for overtime purposes must be based on the total weekly earnings including the bonus.

"The employer eliminates the 'bonus' feature in the second method. If the employee works an irregular number of hours the employer proposes to adopt a different rate each week upon which to compute overtime. Each week the employee's earnings, on the basis of the adopted rate for 42 hours and time and a half such rate for the excess hours will equal or approximately equal the fixed salary. Thus, for example, if an employee, during the course of a month, works 43, 46, 52 and 48 hours respectively, the employer, to continue paying him \$21 weekly, will adopt 48 cents, 44 cents, 37 cents and 41 cents as the respective rates of pay. Obviously, these rates are pure bookkeeping figures and the regular rate of pay on which overtime must be paid will be determined by dividing the \$21 weekly salary by the hours worked each week.

"If the employee works a regular number of hours, the employer proposes to adopt a rate, which for 42 hours and at time and a half such rate for the hours in excess of 42, will yield the present earnings. The fact that the computations on the adopted rate will produce a figure equal to the employee's present total compensation cannot obscure the real situation. This employer will be in no better position than the employer who proposes to adopt the minimum wage as the overtime rate with a 'bonus' scheme, or to juggle the rates from week to week. This employer seeks to adopt one rate for overtime purposes, but will expressly or impliedly guarantee his employees another—based upon the weekly salary. The regular rate of pay on which overtime must be based will be determined by dividing the weekly salary by the regular number of hours worked.

#### II. HOURLY RATE EMPLOYEES

"The employer will announce that he is 'reducing' the hourly rate of all his employees to 30 cents an hour for the first 42 hours and 45 cents for the hours in excess of 42. However, he will guarantee to each employee a weekly amount not less than the amount presently paid. Obviously, the adopted rate of 30 cents is a fictitous, bookkeeping entry, which does not change the employees' regular rate of pay.

"The case is no different where the rate adopted will not be the minimum but will be a rate which, with time and a half for overtime, will yield approximately the same weekly earnings for the regular number of hours worked. Employees will not generally consent or acquiesce when the employer purports to reduce the rates unless they are assured they will not lose any pay but will continue to receive their present earnings. When the employees are given this assurance, expressly or impliedly, they are receiving an express or implied guarantee of their present earnings and

their true rate of pay remains unchanged. In the absence of an express or implied guarantee, the question will be whether the employer has actually reduced the regular rate of pay. Will the employee be paid at the adopted rate or at his present rate when he does not work the full number of hours? If he is paid at his present rate, in such case, then the adopted rate is not his regular rate of pay but only a rate upon which the employer computes overtime on his books. It cannot, therefore, be the regular rate of pay upon which time and a half must be based.

#### III. PIECEWORKERS

"An employee is now employed on a piece-rate basis. The employer will announce that henceforth the employee will be employed at an hourly rate of 30 cents an hour for 42 hours and 45 cents an hour for all hours in excess of 42, although the employee will continue to receive his full piece-work earnings at the present piece-rates. Obviously, 30 cents is not the regular rate of pay; it is not the rate at which the employee is actually paid. The case is no different if the employer adopts a rate in excess of the minimum. So long as the employer continues actually to pay at the piece rates now in effect, the regular rate of pay will be determined by dividing the piecework earnings by the hours worked each week, and the employee will be entitled to time and one-half that rate for hours worked in excess of 42."

#### IV. SECTION 18

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Section 18 of the Act states: "No provision of this Act shall justify any employer in reducing a wage paid by him which is in excess of the applicable minimum wage under this Act, or justify any employer in increasing hours of employment maintained by him which are shorter than the maximum hours applicable under this Act."

"Much has been heard about Section 18 in connection with the plans just set out. But Section 18 does not enter into the picture, except to reinforce the opinions just expressed as to what Congress intended by the words 'regular rate' of pay in Section 7. It may be helpful, however, to discuss briefly some of the situations to which Section 18 is meant to apply.

"By enacting Section 18, Congress primarily intended to discourage the possible tendency that the minimum wage fixed in the Act will become the maximum wage paid by employers. Thus, an employer who cuts the wages of his employees earning in excess of the minimum to avoid an increase in total labor cost due to the fact that he must raise the wages of many of his employees to 30 cents an hour, will violate Section 18. Section 18 was also intended to expressly allay the fears of labor that employers who are bound by contract to maintain higher wage and hour standards than those fixed in the Act, would use the Act as an excuse not to perform their contracts. Where the employer is under contract, the employees have no need to rely upon Section 18. Nothing in the Act relieves an employer from any obligation he may have assumed by contract to maintain standards higher than those fixed in the Act. Section 18 removes every possible doubt on this score. I employees may proceed to enforce their contract rights.'

## Senate Continues Neutrality Debate

While the Senate continued to debate neutrality issues during the past week, Representatives utilized short daily sessions of the House to discuss the proposed trade agreement with Argentina, farm relief problems raised by drought conditions over the country, and neutrality legislation.

Although administration leaders in both the Senate and House have confined Congressional action to the neutrality measure, it now seems likely that an appropriation bill for the relief of flood and drought stricken areas will be enacted before the special session adjourns.

## Fourth Service Kitchen Recipe Leaflet Issued

Copies of the fourth Service Kitchen recipe leaflet, "Tempting Recipes for Canned Foods," were mailed to members of the Association this week. Distribution also is being made to food editors of newspapers and magazines, members of the Home Economics Women in Business, and a list of persons who, after receiving copies of the other Kitchen leaflets, had requested that the new leaflets be sent to them as they are issued. This is the last of the series to be published this year, and with the other three booklets comprises the first series of recipes developed in the Association's Service Kitchen to feature canned foods. All groups of commodities have been covered during the year, although it was impossible, in such small books, to use all canned products in each booklet.

The titles of the other three leaflets are: "Easy Recipes Using Canned Foods," December, 1938; "Every Day Recipes for Canned Foods," spring, 1939; and "Summertime Recipes for Canned Foods," published during the past summer.

In preparing the recipes for this book, Katherine Smith, who is in charge of the Service Kitchen, bought her canned foods at a neighborhood grocery store, just as the average housewife does. Miss Smith has developed further her plan to prepare foods suited for average families by working out her method of "taste testing" of finished foods. She prepares as many dishes as she can in the morning and invites a small group to come to the Kitchen for lunch. The sampling then becomes a part of the lunch.

Miss Smith is able to get an impartial opinion of the dishes, and she reports that some people have said, "it is the only place they have ever been where they were thanked for criticizing the foods."

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The response from housewives to the Service Kitchen recipe leaflets has shown that women welcome recipes with new ideas and with modernized old favorites. Every day the mail brings requests for additional copies.

In addition to developing these general recipes for the industry, Miss Smith has tested and developed recipes for individual canner's products. Whenever this type of work is done, the member sends the product or products he wishes used to the Kitchen. Miss Smith, then, either tests the recipes already used by the canner, or develops new recipes for the product. This service is available to any member of the Association.

#### Wage-Hour Ruling on Employee Meetings

The Wage and Hour Division this week clarified its views on meetings and lectures attended by employees in connection with their work. In a revision of its Interpretative Bulletin No. 13, the administration restates the enforcement policy of the Division in determining whether time spent in attending these meetings should be considered "hours worked" under the Act and therefore paid for.

The restatement of policy considers attendance at meetings and lectures as hours worked: 1. If attendance is not in fact voluntary.

2. If "such meetings and lectures are directly related to the employee's work, as, for example, meetings and lectures for the purpose of teaching the employee mine rescue, fire prevention and control, and the use of new types of machinery or methods on his job."

## 1939 Pack of Sweet Corn Declines 5,000,000 Cases

The 1939 pack of canned sweet corn, exclusive of corn on the cob, amounted to 15,290,580 actual cases, compared with 20,846,842 cases in 1938, according to statistics compiled by the Association's Division of Statistics. Twenty canners reported a pack of corn on the cob totaling 479,413 cases. In 1938, 24 canners reported a pack of 533,766 cases of corn on the cob.

In the following table are shown the total 1938 and 1939 packs of sweet corn, exclusive of corn on the cob, by States:

States	1938	1939
Maine, Vermont and New Hampshire	Cases 1,878,082 1,913,378	Cases 796, 167 1,330,637
Maryland and Delaware	2,238,903 513,351	1,398,562 482,129
Ohio Indiana Illinois	1,197,165 1,673,582 2,921,170	944,889 1,851,843 2,636,554
Wisconsin. Minnesota. Iowa and Nebraska.	1,484,492 3,624,406 2,219,158	1,076,622 3,025,897 1,102,176
Other States—East	427,183 755,972	177,312 467,792
Total	20,846,842	15,290,580

In the following split table is shown the pack of sweet corn in 1938 by States and varieties.

	Cream Style Corn				
States	Ever- green	Narrow Grain	Country Gentleman		Golden
	Cases	Cases	Cases	Cases	Cases
Me., Vt., and N. H New York		******	8,349	156,977 720	507,986 782,145
Maryland and Delaware.	541,409	1.925	15.651		259.244
Pennsylvania	50,912	3,000	130		60,012
Ohio	108,000	421.185	71.914		211.394
Indiana	593,386	2,500	894,025		210,920
Illinois	61,904		842,736	145	580,289
Wisconsin	97,077	24,313	46,305	19,128	255,526
Minnesota			28,500	18,408	1,068,718
Iowa and Nebraska		522,020	63,461		107,508
Other States-East	94,304		39,800		13,662
Other States-West	59,803		13,183	******	191,852

Whole Grain Total Pack States Golden White All varieties Cases 796, 167 Cases Cases Maine, Vermont, and New Hampshire. New York..... 3,461 1,330,637 522,638 Maryland and Delaware..... 249,541 330,792 1,398,562 Pennsylvania..... 125,690 233,385 121.689 10.707 044.880 Obio..... 53,341 262,184 1,851,843 2,636,554 Indiana.... 889,296 626,130 1,076,622 Wisconsin.... 10.050 132,408 Other States—East.....Other States—West.... 6.104 23,433 177,312 Total..... 5,112,083

## Canned Peas Move Heavily in September

Heavy movement of canned peas continued in September, according to the stock report of the Association's Division of Statistics issued on October 16. Stocks on October 1, shipments in September, and shipments from June 1 to October 1 are summarized as follows:

	1938-30 Cases	1939-40 Cases
Total stocks October 1	20.347.570	14.623.491
Unsold stocks October 1	15,044,659	9.043,290
Shipments during September	2,734,502	2.643,213
Shipments June 1 to October 1	9.736.594	9,129,105

Stocks on October 1 and shipments during September, by regions and varieties, are given in the following table:

	Shipments during		
shipped	Unsold	Total	September
Cases	Cases	Cases	Cases
26,565	74,372	100,937	15,482
557.998	760,801	1.318,700	72,009
89,385	376,531	465,916	49.652
26,921	98,535	126,456	5,116
977.667	2.703,384	3,681,051	633.646
1.720,432	2.560,070	4,280,502	1.035,779
16,306	5.335	21,641	95,922
2.164,927	2.464,262	4,629,189	735,517
1.109.923	3.159,622	4.209,545	794.702
4.470.278	5,883,668	10,353,946	1.848,511
	Sold not shipped Cases 26, 565 557, 908 89, 385 26, 921 977, 667 1,720, 432 16,306 2,164,927 1,109,923	Sold not shipped Unsold Cases 26,865 74,372 557,998 760,801 89,385 376,531 977,667 2,703,384 1,720,432 2,500,070 16,306 5,335 2,164,927 2,464,262 1,109,923 3,159,622	shipped         Unsold         Total           Cases         Cases         Cases           26,865         74,372         100,937           557,908         760,801         1,318,709           89,385         376,531         465,916           26,921         98,535         126,456           977,667         2,703,384         3,681,051           1,720,432         2,560,070         4,280,502           16,306         5,335         21,641           2,164,927         2,464,262         4,629,189           1,109,923         3,159,622         4,269,545

## Fruits and Vegetables in Cold Storage

Total stocks of all frozen fruits in cold storage on October 1 were reported by the Agricultural Marketing Service as 141,710,000 pounds, a decrease from September 1 of 1,347,000 pounds. Reports indicated that 26,697,000 pounds were in small containers of less than 30 pounds capacity, and 115,013,000 pounds were in containers of 30 pounds and over.

Stocks of frozen vegetables continued the seasonal increase during September. The into-storage movement was 6,483,000 pounds compared with 9,900,000 pounds for September, 1938. October 1, 1939, stocks were 6,870,000 pounds above those of a year earlier.

The following tables show stocks of frozen fruits and vegetables in cold storage on October 1, 1939, compared with previous periods:

	Oct. 1, 1938	Sept. 1, 1939	Oct. 1, 1939
FROZEN FRUITS	1,000	1,000	1,000
	pounds	pounds	pounds
Blackberries	5,566	5,468	8,387
Blueberries	5.541	2.204	3,009
Cherries	25.641	31.297	28,148
Logan and similar berries	3.800	3.930	3,617
Raspberries	12.739	11,300	10.162
Strawberries	42,959	47.660	44.911
Other fruits	51.326	15,152	17.235
Classification not reported		26,019	26,181
Total	147,581	143,057	141.710
FROREN VEGETABLES			
Asparagus,	4.171	6,511	6,300
Benns, lima	14,875	10,540	18,311
Beans, snap	5,751	6,846	7,220
Brocoli, green	797	980	1.240
Corn, sweet	7,009	7,280	7.697
Pens, green	27,178	30,103	28,187
Spinach	1.808	2.834	2.591
Other vegetables	9.573	2.091	2.243
Classification not reported		4,445	4,333
Total	71,252	71,630	78,122

## Complaints Issued Against Tobacco Companies

Complaints alleging violation of the Robinson-Patman Act were issued this week against three additional tobacco companies by the Federal Trade Commission. The complaints are similar to those against five tobacco companies noted in last week's Information Letter. The three new companies are: Liggett & Myers, Stephano Bros., and the American Tobacco Co.

## Fruit and Vegetable Market Competition

Carlot Shipments as Reported to the Agricultural Marketing Service by Common Carriers

	Week ending-			Season total to-	
VEGETABLES	Oct. 14, 1938	Oct. 14, 1939	Oct. 7, 1939	Oct. 14, 1938	Oct. 14, 1939
Beans, snap and lima	51	143	76	8,223	6,891
Tomatoes	520	557	447	33,304	26,096
Green peas		51	86	6,079	6,888
Spinach	49	12	7	6.809	6.448
Others:					
Domestic, competing di- rectly	1,220	1,600	2,092	113,072	117.474
rectly		77	86	522	460
FRUITS					
Citrus, domestic	1.767	1.752	2.296	53.391	63.312
Imports		4	9	76	19
Others, domestic		4,324	652	40,828	42,359

## Latest Regulations of Foreign Trade

The latest regulations promulgated by foreign countries, principally affecting foodstuffs, of which information is available at the Department of Commerce, are summarized below. This information is reported to the Department by American foreign officials.

United Kingdom.—In "special circumstances" the Import Licensing Department of the Board of Trade is prepared to consider applications for import licenses for specified goods including crystallized and glace fruit, and biscuits—whose importation heretofore has been temporarily suspended.

Maximum prices permitted by the Ministry of Food were again advanced, effective October 16, for pork and pork products. The Ministry of Labor has announced that up to October 17, food prices in the United Kingdom have risen 9 per cent since the outbreak of war. The average percentage increase of September 30 over September 1 is as follows:

Sugar 47; fish 29; fresh eggs 19; salted butter 19; British beef 3 to 5; chilled or frozen beef 4 to 6; British mutton 4 to 5; frozen mutton 3 to 7; bacon 10; flour 3; bread 2; fresh butter 12; cheese 4; margarine 1; potatoes 1.

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